

August 31, 2007

The Honorable Mark Sanford
South Carolina State House
P.O. Box 11829
Columbia, SC 29211

Dear Governor Sanford:

The Budget and Control Board's budget plan, proviso requests and report of highest and lowest priority activities for FY 2008-2009 are enclosed.

The Board makes two funding requests. The first is for recurring funds to continue support for the South Carolina Enterprise Information System (SCEIS). Non-recurring funds were appropriated for the project for FY 2007-2008 instead of the recurring funds requested by the Board. For FY 2008-2009 the Board is requesting recurring funding to replace last fiscal year's appropriation and for the next phase of the project.

The second request is funding for repair and preventive maintenance in state owned buildings managed by the Budget and Control Board. The backlog of deferred maintenance items is estimated at more than \$67 million. The requested funding will allow the Budget and Control Board to address critical needs such as compliance with building codes and building deterioration that becomes more severe and costly the longer it continues.

In addition to the agency's requests, there are two other funding issues. One is the funding requirement for the state employee health insurance plan. After examination of claims experience and program income through October, the Board will provide a projection of the budget needs of the State Health Insurance Plan. The Board anticipates providing this projection no later than November 14, 2007.

The second funding matter relates to the National Guard Pension Fund. Actuaries will complete their valuation of the Fund in January, 2008. At that time, the amount of the state contribution required to support Guardsmen's benefits will be available.

Thank you for the opportunity to submit the Budget and Control Board's request.

Sincerely,

Frank W. Fusco

FISCAL YEAR 2008-09 BUDGET PLAN

I. EXECUTIVE SUMMARY

A. Agency Section/Code/Name: Section 80A/F03/Budget and Control Board

B. Statewide Mission: The Board provides innovative leadership and a variety of services to government agencies to foster effective government.

C. Summary Description of Strategic or Long-Term Goals:

(1) Improving return on investment for all major programs and functions of the Board.

(2) Improving customer satisfaction.

(3) Improving employee well-being.

All goals are addressed throughout the Agency Accountability Report; not just in one section.

D.

Summary of Operating Budget Priorities for FY 2008-09:		FUNDING					FTEs			
		State Non- Recurring	State Recurring	Federal	Other	Total	State	Fed.	Other	Total
Priority No.: 1	Title: South Carolina Enterprise Information System	0	4,900,000	0	0	\$4,900,000	5.0	0	0	5.00
Strategic Goal No. Referenced in <u>Item C Above (if applicable): 1</u> Activity Number & Name: 253: Enterprise Projects										
Priority No.:	Title:	0	0	0	0	\$ 0	0	0	0	0.00
Strategic Goal No. Referenced in <u>Item C Above (if applicable):</u> Activity Number & Name:										
Priority No.:	Title:	0	0	0	0	\$ 0	0	0	0	0.00

Summary of Operating Budget Priorities for FY 2008-09:	FUNDING					FTEs			
	State Non- Recurring	State Recurring	Federal	Other	Total	State	Fed.	Other	Total
Strategic Goal No. Referenced in <u>Item C Above (if applicable):</u> Activity Number & Name:									
TOTAL OF ALL PRIORITIES	\$ 0	\$4,900,000	\$ 0	\$ 0	\$4,900,000	5.00	0.00	0.00	5.00

E. Agency Recurring Base Appropriation:

State \$ 36,854,019

Federal\$ 1,728,004

Other \$182,016,778

F. Efficiency Measures: The following measures will be in the Board's 2007 Accountability Report:

- The rates charged by the Insurance Reserve Fund are well below comparable private sector benchmarks as calculated by the Insurance Service Organization.
- Agency Mail saved stage agencies \$4.3 million last year compared with the cost of using the post office.
- The Board's Surplus Property Program returned \$5.2 million to state agencies in 2006-07 and helped them avoid another \$1.8 million in expenses by enabling them to buy used equipment rather than new.
- The South Carolina Retirement System's administrative cost per member is \$46 compared to \$83 per member among peer public pension plans as calculated by Cost Effectiveness Measurement, Inc.
- The Employee Insurance Program has not raised employee premiums for three consecutive years.
- The state saved \$162,947 by settling employee grievances via mediation.
- The use of state term contracts saved agencies \$48 million in 2006-07.

G.

Summary of Capital Budget Priorities:			Additional State Funds	Previously Authorized State Funds	Total Other Fund Sources	Project Total
Priority No.:1	<u>Project Name:</u> Deferred Maintenance of State-Owned Buildings Activity Number & Name: 223 Facilities Management	Project No*:	19,747,855	0	0	\$19,747,855
Priority No.:	<u>Project Name:</u> Activity Number & Name:	Project No*:		0	0	\$
TOTAL OF ALL CAPITAL BUDGET PRIORITIES			\$19,747,855	\$ 0	\$ 0	\$19,747,855

* If applicable

H. Number of Proviso Changes: 7

I. Signature/Agency Contacts/Telephone Numbers:

Frank W. Fusco
Executive Director

Agency Contacts:
Eddie Gunn
Chief of Staff
734-5198

Steve Elliott, Director
Office of Internal Operations
737-0551

II. DETAILED JUSTIFICATION FOR FY 2008-09 OPERATING BUDGET PRIORITIES

- A. Agency Section/Code/Name: Section 80A/ F03/Budget and Control Board
- B. Priority No. 1 of 1
- C. (1) Title: South Carolina Enterprise Information System Project
(2) Summary Description: Implementation of an enterprise resource planning system (SAP) to replace the State's existing administrative systems
(3) Strategic Goal/Action Plan (*if applicable*): Produce business process efficiencies and cost savings, and provide better information to manage an agency and the State as an enterprise
- D. Budget Program Number and Name: VIII.C – IT Planning & Management Services
- E. Agency Activity Number and Name: 253: Enterprise Projects
- F. Detailed Justification for Funding

(1) Justification for Funding Increase: The FY 2007-2008 appropriations act included an additional \$3.2 million in SCEIS funding as non-recurring funding. The 5 year funding model as originally presented in the budget request for fiscal year 2005-2006 called for this to be recurring funding. The original funding schedule also included an additional \$1.7 million in recurring funding for fiscal year 2008-2009. The requirements for this funding have not changed. These requested recurring funds are necessary to pay ongoing operational costs for the SCEIS Project during FY 2008-09 to include maintenance fees for software and hardware, ongoing consulting fees for blueprinting and configuring of the SAP software, ongoing consulting fees for design and implementation of imaging software, data processing fees at the State Data Center, training on SAP/imaging software for Project team and end-users, office supplies and equipment. No one-time funds are being requested at this time.

(2)

FY 2008-09 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*		5.00			5.00

(b) Personal Service		\$ 307,406			\$ 307,406
(c) Employer Contributions		\$ 86,074			\$ 86,074
Program/Case Services					
Pass-Through Funds					
Other Operating Expenses		\$ 4,506,520			\$ 4,506,520
Total	\$ 0	\$ 4,900,000	\$ 0	\$ 0	\$ 4,900,000
<i>* If new FTEs are needed, please complete Section G (Detailed Justification for FTEs) below.</i>					

(3) Base Appropriation:

State \$ 5,467,744
Federal \$
Other \$

(4) Is this priority associated with a Capital Budget Priority? No If yes, state Capital Budget Priority Number and Project Name: _____.

G. Detailed Justification for FTEs

(1) Justification for New FTEs

(a) Justification:

The SCEIS team requires an additional 5 FTE's to be allocated as follows:

- Enterprise Reporting Team- Business Warehouse – (2 FTE's) – The initial rollout of SCEIS includes baseline level standard reporting. As the state adds more users and data it is critical that we build out the enterprise reporting team to take full advantage of this asset to meet both statewide and agency level needs beyond the standard reports. Currently that team has a single part time resource (30 hours per week) dedicated to this function. These 2 FTE's will be used to insure that the data is available and to provide technical support to agencies to meet agency specific needs.
- Finance Team – (3 FTE's) – The state is currently meeting the resource requirements in this area through a combination of part time temporary resources and resources on loan from multiple agencies. While this has been an effective way to get the necessary institutional knowledge involved with the project, long term the state can not rely on this approach to

meet this requirement. These 3 FTE's will provide the SCEIS Finance team with the full time resources necessary to continue building upon the ground work laid by the team.

- (b) Future Impact on Operating Expenses or Facility Requirements: The operating and facility costs associated with these 5 FTE's are projected to be an annual cost of \$ 15,000.

(2) Position Details:

	State	Federal	Earmarked	Restricted	Total
Position Title: Program Manager II					
(a) Number of FTEs	1.00				1.00
(b) Personal Service	\$ 76,954				\$ 76,954
(c) Employer Contributions	\$ 21,547				\$ 21,547

	State	Federal	Earmarked	Restricted	Total
Position Title: Program Manager I					
(a) Number of FTEs	2.00				2.00
(b) Personal Service	\$ 126,490				\$ 126,490
(c) Employer Contributions	\$ 35,417				\$ 35,417

	State	Federal	Earmarked	Restricted	Total
Position Title: Program Coordinator II					
(a) Number of FTEs	2.00				2.00
(b) Personal Service	\$ 103,962				\$ 103,962
(c) Employer Contributions	\$ 29,110				\$ 29,110

(3) FTEs in Program Area per FY 2007-08 Appropriation Act:

State 35.25

Federal

Other

Agency-wide Vacant FTEs as of July 31, 2007: 140.66

% Vacant 11 %

H. Other Comments:

III. DETAILED JUSTIFICATION FOR CAPITAL BUDGET PRIORITIES

- A. Agency Section/Code/Name: Section 80A/F03/Budget and Control Board
- B. Priority No. 1 of 1
- C. Strategic Goal/Action Plan *(if applicable)*:
- D. Project Name and Number *(if applicable)*:

Priority Number	Project Name	Estimated Cost
1	FM Energy Facility-Controls System Upgrade-Phase II	571,500.00
2	Hayne Laboratory Building-Various Motor Controls and Pneumatic System Update/Replacement	372,000.00
3	Brown Building-Air Handler #1 & Multizone Air Handler Replacement	310,000.00
4	Columbia Mills Building-Airhandlers 1-3 Replacement	107,950.00
5	Dennis Building-Hot & Chill Water Piping Replacement-Floor Cut Off Valves Installation and Balancing	1,295,400.00
6	Harden Street/DSS Building-HVAC Controls & Distribution Systems Replacement/Repairs	1,016,000.00
7	Calhoun Building-Fan Coil Units Replacement	620,000.00
8	Brown Building-Roof Replacement	571,500.00
9	Sims/Aycock Building-2 Motor Control Centers Replacement/Repairs	372,000.00
10	State Library Building- Switchgear Replacement	155,000.00
11	Mills-Jarrett Building- Window Replacement	114,300.00
12	Dennis Building- Elevator Controls Replacement	522,000.00
13	Rutledge Building- Replacement of Ceiling Tile in Restrooms	101,680.00
14	Sims/Aycock Building- Ceiling Tile & Track Replacement	764,400.00
15	Columbia Mills Building- Atrium Roof Replacement/Repairs	536,200.00
16	Columbia Mills Building- Window Replacement	2,555,227.00
Total		9,985,157.00

17	Supreme Court Building- Interior & Exterior Renovations	4,828,349.00
18	Calhoun Building- Renovation Interior Phase II	4,934,349.00
Total		9,762,698.00
Grand Total		19,747,855.00

E. Agency Activity Number and Name: #223/Facilities Management

F. Description of Priority: See "D" above

G. Detailed Justification for Funding

(1) Justification for Funding Priority: This funding is needed to reduce the backlog of deferred maintenance items in state owned buildings managed by the Budget & Control Board. The backlog of the deferred maintenance needs is estimated at \$67 million. The funds would be spent on design and construction contracts that would address critical needs such as code compliance and arrest deterioration of the structures. The funding would allow for an aggressive repair and preventive maintenance program. Proviso 63.34 of the FY 06-07 Appropriation Act-Sale of State Surplus Property has allowed the Budget and Control Board to address some immediate concerns. However, this proviso was deleted in FY 08; therefore, funds from this source are no longer available. The Board is scheduled to receive \$7 million in supplemental appropriations in FY 08 which will be used in addressing our most critical needs. There are no other funds available to handle this magnitude of maintenance construction needs.

(2)

Total Project Cost Estimates:	Additional State Funds	Previously Authorized State Funds	Total Other Fund Sources	Project Total
Total Project Cost*	\$19,747,855.00			\$ 19,747,855.00

** If additional annual operating costs from any source of funding are anticipated upon project completion please complete Sections H and I (Justification for Additional Future Annual Operating Costs) below.*

H. Justification for First Year Additional Future Annual Operating Costs: N/A

- (1) Will additional annual operating costs be absorbed into your existing budget? _____
 If not, will additional state funds be needed in the future? _____
 If state funds will not be needed in the future, explain the source(s) that will be used. _____
- (2) First Fiscal Year Additional Annual Operating Costs Are Anticipated: _____ Will this fiscal year require a partial or full year's operating funds? _____ If a partial year's funds are required, what portion of the year does it cover? _____

(3)

Additional Annual Operating Cost Details:	State Non-Recurring	State Recurring	Federal	Other	Total
Total Costs:					
(a) Number of FTEs					0.00
(b) Total Personnel Costs					\$ 0
(c) Furniture/Equipment					\$ 0
(d) Other Operating Costs					\$ 0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

I. Justification for First Full Year Additional Future Annual Operating Costs (*If Section H above represents a full year's operating funds, do not complete this section.*)

- (1) Will additional annual operating costs be absorbed into your existing budget? _____
 If not, will additional state funds be needed in the future? _____
 If state funds will not be needed in the future, explain the source(s) that will be used. _____
- (2) First Full Fiscal Year Additional Annual Operating Costs Are Anticipated: _____

(3)

Additional Annual Operating Cost Details:	State Non-Recurring	State Recurring	Federal	Other	Total
Total Costs:					
(a) Number of FTEs					0.00
(b) Total Personnel Costs					\$ 0
(c) Furniture/Equipment					\$ 0
(d) Other Operating Costs					\$ 0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

- J. Other Comments: The requested \$19.7 million will allow the Board to continue to address the current backlog of deferred maintenance items. Our inability to correct these known deficiencies will lead to the continued deterioration of our buildings and will increase the ultimate price needed to fix the deficiencies. The needs will grow as long as we go without a permanent and sustainable source of funding.

FY 2008-09 COST SAVINGS & ACTIVITY PRIORITY ADDENDUM

I. PRIORITY ASSESSMENT OF ACTIVITIES – HIGHEST PRIORITIES

A. Agency Section/Code/Name: Section 80A – F03 – Budget and Control Board

B.

Priority Assessment of Activities – Highest Priorities	General	Federal	Supplemental	Capital Reserve	Other	Total	FTEs
Activity Number & Name: 208- State-wide Budget Development, Analysis & Implementation	2,792,602	0	0	0	0	\$2,792,602	28.00
Activity Number & Name: 219- Human Resources Consulting	1,944,360	0	0	0	0	\$1,944,360	18.52
Activity Number & Name: 232- Procurement	1,245,168	0	0	0	1,342,591	\$2,587,759	32.00
Activity Number & Name: 223- Facilities Management	2,524,454	0	7,500,000	0	27,717,407	\$37,741,861	175.10
Activity Number & Name: 253- Enterprise Projects	5,467,744	0	3,200,000	0	10,000,000	\$18,667,744	35.25
TOTAL OF HIGHEST PRIORITIES	\$13,974,328	\$ 0	\$10,700,000	\$ 0	\$39,059,998	\$63,734,326	288.87

FY 2008-09 ACTIVITY PRIORITY ADDENDUM

II. PRIORITY ASSESSMENT OF ACTIVITIES – LOWEST PRIORITIES

- A. **Agency Section/Code/Name: Section 80A – F03- Budget and Control Board**
- B. Agency Activity Number and Name: New – Lake Marion Water Authority
- C. Explanation of Lowest Priority Status: This activity provides pass through funding appropriated in 2007 Act 121, §1 (2).
- D. Estimate of Savings:

Estimate of Savings:	General	Federal	Supplemental	Capital Reserve	Other	Total
Personnel:						
(a) Number of FTEs	0	0	0	0	0	0.00
(b) Personal Service	0	0	0	0	0	\$ 0
(c) Employer Contributions	0	0	0	0	0	\$ 0
Program/Case Services	0	0	0	0	0	\$ 0
Pass-Through Funds	0	0	4,000,000	0	0	\$4,000,000
Other Operating Expenses	0	0	0	0	0	\$0
Total	0	\$ 0	\$4,000,000	\$ 0	\$ 0	\$4,000,000

- E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*): None

FY 2008-09 ACTIVITY PRIORITY ADDENDUM

II. PRIORITY ASSESSMENT OF ACTIVITIES – LOWEST PRIORITIES

- A. **Agency Section/Code/Name: Section 80A – F03- Budget and Control Board**
- B. Agency Activity Number and Name: 263 Brandenburg Coordination Committee
- C. Explanation of Lowest Priority Status: This activity is not a core objective of the Budget & Control Board.
- D. Estimate of Savings:

Estimate of Savings:	General	Federal	Supplemental	Capital Reserve	Other	Total
Personnel:						
(a) Number of FTEs	0	0	0	0	0	0.00
(b) Personal Service	0		0	0	0	\$ 0
(c) Employer Contributions	0		0	0	0	\$ 0
Program/Case Services	0	0	0	0	0	\$ 0
Pass-Through Funds	0	0	0	0	0	\$ 0
Other Operating Expenses	11,354	0	0	0	0	\$11,354
Total	11,354	\$ 0	\$ 0	\$ 0	\$ 0	\$11,354

- E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*): The Commission on International Cooperation and Agreements directs the actions and expenditure of funds from this activity. \$3,689 was expended in FY 06 and none in FY 07. The Commission may address more specifically the impact of eliminating this funding. There is no impact on the Budget and Control Board's customers. The GEAR Commission recommended the elimination of this activity (Recommendation 46.)

FY 2008-09 ACTIVITY PRIORITY ADDENDUM

II. PRIORITY ASSESSMENT OF ACTIVITIES – LOWEST PRIORITIES

A. **Agency Section/Code/Name: Section 80A – F03- Budget and Control Board**

B. Agency Activity Number and Name: 241 CDBG

C. Explanation of Lowest Priority Status: This activity provides pass through funding and is not a core objective of the Budget and Control Board.

D. Estimate of Savings:

Estimate of Savings:	General	Federal	Supplemental	Capital Reserve	Other	Total
Personnel:						
(a) Number of FTEs	0	0	0	0	0	0.00
(b) Personal Service	0		0	0	0	\$ 0
(c) Employer Contributions	0		0	0	0	\$ 0
Program/Case Services	0	0	0	0	0	\$ 0
Pass-Through Funds	0	0	0	0	0	\$ 0
Other Operating Expenses	72,144	0	0	0	0	\$72,144
Total	72,144	\$ 0	\$ 0	\$ 0	\$ 0	\$72,144

E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*): This activity is an appropriation that is transferred to JEDA (Agency P34). JEDA or the Department of Commerce may address the impact of eliminating this funding. There is not any adverse affect or impact on the Board's customers.

FY 2008-09 ACTIVITY PRIORITY ADDENDUM

II. PRIORITY ASSESSMENT OF ACTIVITIES – LOWEST PRIORITIES

- A. **Agency Section/Code/Name: Section 80A – F03- Budget and Control Board**
- B. Agency Activity Number and Name: Part of 223 Facilities Management
- C. Explanation of Lowest Priority Status: Savings below result from discontinuing the Business Development function. Elimination allows funds to be used for a core objective and critical need (management, maintenance and repair of state property).
- D. Estimate of Savings:

Estimate of Savings:	General	Federal	Supplemental	Capital Reserve	Other	Total
Personnel:						
(a) Number of FTEs	1.0	0	0	0	0	1.0
(b) Personal Service	65,247		0	0	21,748	\$86,995
(c) Employer Contributions	18,269		0	0	6,089	\$24,358
Program/Case Services	0	0	0	0	0	\$ 0
Pass-Through Funds	0	0	0	0	0	\$ 0
Other Operating Expenses	0	0	0	0	0	\$ 0
Total	83,516	\$ 0	\$ 0	\$ 0	27,837	\$111,353

- E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*): Although the Business Development function was intended to increase state agencies' and local subdivision's awareness of opportunities for savings by using optional Board services, customers and taxpayers occupying state buildings will be benefited by using the funds toward management, maintenance and repair of state facilities. GEAR Commission recommended the elimination of this function (Recommendation 3).

FY 2008-09 ACTIVITY PRIORITY ADDENDUM

II. PRIORITY ASSESSMENT OF ACTIVITIES – LOWEST PRIORITIES

- A. **Agency Section/Code/Name: Section 80A – F03- Budget and Control Board**
- B. Agency Activity Number and Name: 265 – Base Closure
- C. Explanation of Lowest Priority Status: This activity is not a core objective of the Budget & Control Board
- D. Estimate of Savings:

Estimate of Savings:	General	Federal	Supplemental	Capital Reserve	Other	Total
Personnel:						
(a) Number of FTEs	0	0	0	0	0	0
(b) Personal Service	0	0	0	0	0	0
(c) Employer Contributions	0	0	0	0	0	0
Program/Case Services	0	0	0	0	0	\$ 0
Pass-Through Funds	0	0	0	0	0	\$ 0
Other Operating Expenses	574,716	0	0	0	0	\$574,716
Total	574,716	\$ 0	\$ 0	\$ 0	0	\$574,716

- E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*): This activity had a balance of \$1,605,764 (\$574,716 recurring '08 appropriation and \$1,031,048 carry forward and supplemental appropriation). Expenditures for the past two fiscal years were \$83,403 ('06) and \$147,233 ('07). SC Base Closure Commission directs the actions and expenditures of this activity and may address the impact of eliminating or reducing funding for this activity. There is no impact upon the Board's customers.

F.

Summary of Priority Assessment of Activities – Lowest Priorities	General	Federal	Supplemental	Capital Reserve	Other	Total	FTEs
Activity Number & Name: New Lake Marion Water Authority	0	0	4,000,000	0	0	\$4,000,000	0
Activity Number & Name: 263 Brandenburg Coordination Committee	11,354	0	0	0	0	\$11,354	0
Activity Number & Name: 241 CDBG	72,144	0	0	0	0	\$72,144	0
Activity Number & Name: Part of 223 Facilities Management – Business Development	83,516	0	0	0	27,837	\$111,353	1.00
Activity Number & Name: 265 Base Closure	574,716	0	0	0	0	\$574,716	0
TOTAL OF LOWEST PRIORITIES	\$741,730	\$ 0	\$4,000,000	\$ 0	\$27,837	\$4,769,567	1.00